

FISCAL NOTE

Bill #: HB0400

Title: License heating and air conditioning contractors

Primary

Sponsor: David Wanzenried

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	48,972	75,425
State Special Revenue	85,435	325,282
Revenue:		
State Special Revenue	\$85,435	\$325,282
Net Impact on General Fund Balance:	(\$48,972)	(\$75,425)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
X		Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce

- HB 400 establishes a new regulatory and licensure program in the Department of Commerce for forced air heating, ventilation, and air conditioning contractors with a new Board of Forced Air Heating, Ventilation, and Air Conditioning Contractors. The department will adopt minimal standards for mechanical equipment

or systems installations, ensure mechanical permits in certain situations, and provide that installations of mechanical systems are subject to code inspections.

2. For the purposes of this fiscal note, it is assumed that the Board and the licensure portion of the new program would be located within the Professional and Occupational Licensing Division, and that the permitting and inspection function would be located within the Building Codes Division.

Professional & Occupational Licensing Division

3. The division was unable to ascertain the number of persons that are currently working in the trade of forced air heating, ventilation and air conditioning. For the purposes of this fiscal note, it is assumed that the number of people who would be required to obtain a license would be the same as the number of licensed master and journeyman plumbers. (569 master plumbers and 600 journeyman plumbers).
4. The proposed budget for a new board was figured based upon the expenditures of the Board of Plumbers, which is also a nine-member board. The 1.00 FTE in FY 2003 would be required for a grade 13 compliance specialist to perform license checks and investigations of complaints filed with the Forced Air Heating, Ventilation, and Air Condition Contractors Act. Board member per diem in FY 2002 is \$3,750. In FY 2003, there is \$30,000 for the compliance specialist and \$3,750 for per diem.
5. Operating expenses of \$81,685 in both FY 2002 and FY 2003 include contracted services, supplies and materials, communications, travel, rent for examination facilities, and other expenses, including \$45,810 allocated for recharges to the division for a 1.00 FTE (grade 12), rent, and additional fixed costs of the division that would be accessed for a new regulatory board and additional staff.
6. Revenues generated from applications, renewals, and examination fees would be sufficient to offset the expected expenditures.

Building Codes Division

7. HB 400 will require mechanical permits and inspections for heating, ventilation and air conditioning (HVAC) installations on single-family dwellings in less than five-plexes in the Building Codes Division jurisdictional area.
8. The Building Codes Division currently issues mechanical permits and inspects heating, ventilating and air conditioning (HVAC) installations on all buildings in the division's jurisdiction that require a state building permit. Buildings exempted from a state building permit include single family dwellings in less than five-plexes. HB 400 does not add the requirement for a state building permit for single family dwellings through four unit residential buildings.
9. The department estimates that 3,100 mechanical permits would be added to the current Building Codes Division mechanical permit workload per year.
10. An additional 3.00 FTE plumbing/mechanical inspectors (grade 14) will be required to complete the anticipated increase in mechanical inspections. An additional 1.00 FTE administrative support (grade 9) is required to complete the increased clerical work. The estimated personal services cost for the 4.00 FTE is \$119,924 in FY 2003. The department has based its estimate of additional mechanical permits on the number of electrical permits issued annually for new single family dwellings. It is anticipated the inspection of single family dwelling mechanical installations will be performed by the plumbing/mechanical inspector in conjunction with the inspection of single family dwelling plumbing installations and will provide efficiency and cost effectiveness.
11. Additional operating expenses of \$37,423 would be incurred in FY 2003. Three additional vehicles will be required for the new plumbing/mechanical inspectors at an estimated cost of \$52,500 and would be purchased in FY 2003.
12. Additional mechanical permit revenues would be sufficient to offset the estimated expenditures.

13. An applicability date for mechanical permits of July 1, 2002 means HB 400 will have no fiscal impact on the Building Codes Division until FY 2003.

Department of Labor and Industry

14. The Department of Labor and Industry, through the Job Service Division Apprenticeship Program, would be the agency responsible for registering apprentices into the occupation as prescribed in Section 8.

Apprenticeship Allowed.

15. The Job Service Division Apprenticeship Program would be responsible for record keeping associated with the apprenticeship trade, which includes records associated with Section 9 (1)(a) of the bill.

16. The Job Service Division Apprenticeship Program would be responsible for financial management and accounting associated with the apprenticeship trade including work verification and accreditation trade schools or other schools specializing in training the apprenticeship.

17. Based on statistics from the Job Service Division Research and Analysis Bureau, in 1999 there were approximately 450 employers in the industry and 660 employees in the industry. A projected growth rate of 2.5% per year equals approximately 472 current employers and 693 employees in the occupation in 2001. There would be about 17 new apprentices in 2002 and 18 new in 2003. Further, there would be approximately 90 current industry employees who would not qualify for journeyman license and would become part of the program in 2002 (90 existing apprentices + 17 new =107 in the first year and an additional 18 in 2003).

18. Training related expenses are picked up by the employer in the first year. The department pays a portion of costs in the second year. Those costs average \$201 per participant or \$21,507 in 2003 (107 x \$201 = \$21,507). Pre-test curriculum costs would be \$7,000 incurred in FY2003. Total benefits will be \$38,507.

19. The Apprenticeship program currently handles 990 registered apprentices by 4 .00 FTE, equaling approximately 247 registered apprentices per FTE. This would be a new program and be staff intensive the first two years, setting up training agreements, developing curriculum and compliance for the program, increasing the workload of the Job Service Division Apprenticeship program by 1.00 FTE to accommodate the additional apprentices and registering employers.

20. Training related instructional grants are currently obligated for existing programs. New funds would need to be added to support a new program.

FISCAL IMPACT:

Department of Commerce

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
FTE	0.00	5.00

Expenditures:

Personal Services	3,750	153,674
Operating Expenses	81,685	119,108
Equipment	<u>0</u>	<u>52,500</u>
TOTAL	\$85,435	\$325,282

Funding:

State Special Revenue (02)	\$85,435	\$325,282
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	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)	\$85,435	\$325,282
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
State Special Revenue (02)	\$0	\$0

Department of Labor and Industry

FTE 1.00 1.00

Expenditures:

Personal Services	33,200	34,196
Operating Expenses	12,722	12,722
Equipment	3,050	0
Benefits	0	28,507
TOTAL	\$48,972	\$75,425

Funding:

General Fund (01) \$48,972 \$75,425

Revenues:

General Fund (01) 0 0

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01) (\$48,972) (\$75,425)

LONG-RANGE IMPACTS:

Department of Commerce

Provisions in HB 400 requiring a mechanical permit and inspections on single family dwellings in less than five-plexes will require that all single family dwellings constructed following the effective date of the legislation (7/1/02) be permitted, inspected and built to the requirements of the state mechanical code.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

No, it is assumed most people using the services of a Forced Air Heating, Ventilation, and Air Conditioning Contractor would be a direct beneficiary.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

All licensing boards and regulatory programs in/or attached to the Department of Commerce are self-sufficient and fees are set commensurate with costs of administering the program.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes No (if no, explain)

- d) Does the need for this state special revenue provision still exist? Yes No (Explain)

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No, because the legislature authorizes how much each division/board can spend in HB002.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes. The licensees that are regulated by the boards pay to protect the public health welfare and safety of the citizens of the State of Montana. Inspections completed by the Building Codes Division ensures work is done to standards.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

All regulatory divisions/boards allocated to the department are special revenue and the fees are set commensurate with the costs of regulation of the professions or occupations.